

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188), Washington, DC 20503.				
1. AGENCY USE ONLY (Leave blank)		2. REPORT DATE 31 Mar 1997		3. REPORT TYPE AND DATES COVERED Final
4. TITLE AND SUBTITLE DoD Implementation of the Government Performance and Results Act of 1993			5. FUNDING NUMBERS	
6. AUTHOR(S) Larry C. Juul				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Defense Logistics Agency Planning 8725 John J. Kingman Road, Suite 2533 Fort Belvoir, VA 22060-6221			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) Under Secretary of Defense (Comptroller) Directorate for Performance Measures and Results 1100 Defense Pentagon, Room 1A658 Washington, DC 20301-1100			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES Paper prepared as part of requirements for Senior Executive Leadership Course, DoD Executive Leadership Development Program				
12a. DISTRIBUTION AVAILABILITY STATEMENT Approved for public release; distribution is unlimited.  Cleared for open publication, OASD-PA, April 28, 1997, 97-S-1356.			12b. DISTRIBUTION CODE	
13. ABSTRACT (Maximum 200 words) <p>The Government Performance and Results Act (P.L. 103-62), the "GPRA" or "Results Act," was passed more than three years ago. The Department of Defense (DoD) has been engaged in its implementation. In reviewing the actions the department has taken thus far to meet GPRA requirements, I argue that the influence that performance budgeting concepts bring to bear has implications for the framework for the department's GPRA implementation, e.g., DoD's Planning, Programming, and Budgeting System (PPBS). I conclude that although DoD has strong planning and budgeting processes in place, significant implementation issues remain. Five issues are covered in the paper: the selection of appropriate measures; the process for performance planning/reporting; the desirability of changes to the accounting structure; the utility of increasing use of the Five Year Defense Program (FYDP) account structure to align performance with expenditures; and, the definition of the process for consulting with the Congress.</p>				
14. SUBJECT TERMS Performance budgeting, performance measurement, performance planning, strategic planning, GPRA, FYDP, account structure.			15. NUMBER OF PAGES 20	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT UNCLASSIFIED	18. SECURITY CLASSIFICATION OF THIS PAGE UNCLASSIFIED	19. SECURITY CLASSIFICATION OF ABSTRACT UNCLASSIFIED	20. LIMITATION OF ABSTRACT UL	

**DTIC QUALITY INSPECTED 2**

**DOD IMPLEMENTATION  
OF THE  
GOVERNMENT PERFORMANCE AND RESULTS ACT OF 1993**

March 31, 1997

by

Larry C. Juul

Deputy Chief, Planning, Defense Logistics Agency  
On assignment to Office of the Undersecretary of Defense, Comptroller,  
Directorate of Performance Measures and Results

Senior Executive Leadership Course  
Executive Leadership Development Program

Internet Mail Address:      larry\_juul @ hq.dla.mil

19970513 020

# **DOD Implementation of the Government Performance and Results Act of 1993**

by  
**Larry C. Juul**

3/31/97

The Government Performance and Results Act (P.L. 103-62), the "GPRA" or "Results Act" as it is now termed (Arney, 1997; 1), was passed more than three years ago. The Department of Defense (DOD), like many other agencies, has been engaged in implementation of GPRA. In this paper, I review the actions the department has taken thus far to prepare to meet GPRA requirements. I will show that the DOD has already institutionalized GPRA strategic planning provisions, and will specify here some of the remaining issues for DOD. I will argue that these issues and the influences of performance budgeting concepts on implementation have implications for the putative framework for the department's Results Act implementation, e.g., DOD's Planning, Programming, and Budgeting System (PPBS).

This paper is written from the perspective of a practitioner, a participant observer involved in the activities of a DOD GPRA performance pilot agency over the last 3 years. The subjects to be covered here include: performance budgeting from an historical perspective, the legislative history of GPRA, Office of Management and Budget (OMB) implementation guidance to the agencies, a chronological review of DOD implementation actions, and a discussion of DOD implementation issues.. The primary methodology employed in this paper is qualitative analysis of key documents and correspondence related to the subject to generalize to the emerging "theory in use" within DOD (Patton, 1990), and identify some of the more difficult issues associated with GPRA implementation. This paper has been developed as partial fulfillment of the graduation requirements for the DOD Senior Executive Leadership Course.

The context of DOD actions at the time this paper is being written is a "dry run" of GPRA implementation requirements guided by OMB. The first annual agency strategic plans required by GPRA must be completed in September, 1997. Performance plans are to be submitted for FY 1999 (beginning October 1, 1998), and performance reports are to be submitted annually to the President and Congress beginning March 1, 2000. The National Academy of Public Administration (NAPA), based on an assessment of the pilot agency performance plans by its panel on Improving Government Performance (NAPA, 1994; 3), recommended that OMB and agencies should "begin as soon as possible..." based on their panel's findings that implementation was a long and complex affair. In response to that recommendation and other similar views, OMB's review of the FY 1998 budget has been designed to serve as a "dry run" for both OMB and the agencies; i.e., a practice session for the agencies and a preliminary look for OMB. The OMB reviews of

agency submissions during the Fall of 1996 and Spring of 1997 are to inform the development of government-wide performance plans.

## **GPRA and Performance Budgeting**

The Results Act, in section 1119, calls for the establishment of performance budgeting pilot projects. By way of definition, the Act states that: "Such budgets shall present, for one or more of the major functions and operations of the agency, the varying levels of performance, including outcome-related performance, that would result from different budgeted amounts" (GPRA, 1993). There are, however, differing interpretations as to what a performance budget is, what it might look like, and what it might do. A working definition can be adopted as follows (Burkhead, 1956; 142):

A performance budget is one which presents the purposes and objectives for which funds are required, the costs of the programs proposed for achieving those objectives, and quantitative data measuring the accomplishment and work performed under each program.

The committee reports on GPRA provide language which elaborate the statutory definition and their intent. The Senate report is clear that the desired result is to receive a budget "showing a direct relationship between proposed spending and expected results, along with the anticipated effects of higher or lower amounts" (United States Senate, 1993; 18). The House report goes further to suggest a more complex approach where "the budgeted amount would be changed, but various performance values could be shifted to reflect changes in priority or emphasis...."(United States Congress, 1993; 26).

This desire for performance data in the Federal budget is not a recent development: "In 1913, the federal government's Taft Commission on Economy and Efficiency argued that government officials needed to tie public expenditures to the outcomes they produce." (Kettl, 1992; 73). The basic question that performance information in the budget would theoretically answer for the decision maker is best stated as: "On what basis shall it be decided to allocate x dollars to activity A instead of activity B?" (Key, 1940; 1137). In addition to straight forward allocations within programs, performance-based goals and assessments of how well these goals are being achieved are expected to assist the Congress in identifying cross-program tradeoffs. "Such program assessments should provide a road map to determine how limited federal tax dollars can be applied most effectively in the future" (Armey, 1997; 4).

The program or account structure used in federal budgeting has been characterized as outdated, and consequently a source of limitations on the ability of agencies to prepare

performance based budget requests. There are recommendations to modify the account structure, and OMB has favorably entertained several agency proposals for revisions to their program and financing schedules growing out of agency adoption of goal structures or as a means for the agency to align its goals with its accounts. As another example, one of the supporting reports of the National Performance Review (NPR) recommends the creation of revised categories related to GPRA planning and performance management processes (NPR, 1993; 55).

The Federal budget is now prepared using a line item structure, which has been described as classifying data by organization (Kettl, 1992; 69) or " around the items to be purchased " (Shick, 1995; 188). If one examines the Fiscal Year 1997 budget (OMB, 1996), the "Department of Defense - Military" account, for example, is disaggregated first by use (personnel, operation and maintenance, procurement, research, military construction, family housing, revolving and management funds), then typically by organization (military personnel - Navy, Special Operations Command), or item (ammunition, airlift aircraft). These are generally inputs rather than outputs or programmatic outcomes. The use of even workload or outcome measures in the budget appendix is infrequent; case workload, insurance loss ratios, investigations completed, ADA charges resolved, average cost per housing grant, tax fraud indictment rate are a few random examples which do appear in Appendix A of the FY 1997 budget. The Internal Revenue Service budget is one of the few agencies with extensive measures in the appendix (OMB, 1996; 816). Of course, more information is submitted with agency budgets than appears in the appendix. A review of four agency budget submissions found 386 measures reported for FY 1996, and observed (Newcomer, 1995; 12) an increase in the number of measures reported of 50% over the prior year (FY 1995) budget.

The Office of Management and Budget (OMB) provides budget preparation and GPRA implementation guidance to the agencies. The basic budget preparation guidance is provided in OMB Circular A-11. Section 34.1 of the circular discusses the narrative statements on program and performance required in agency budget justifications, and specifies the inclusion of performance indicators (OMB, 1996c; 157):

The statements should include appropriate performance indicators and goals agreed upon by the agency and its OMB representative in their on-going discussions of continued enhancement of the budget process through greater use of performance information. The statements can also include, as appropriate, performance indicators contained in the agency's annual financial statements or other appropriate indicators.

The coverage of GPRA-related guidance on such subjects as planning, performance data, and GPRA implementation generally has increased each year over the last three years, culminating with the issuance of Part 2 to A-11 in June, 1996 covering

strategic plans (OMB, 1996; 237-250). OMB had announced earlier its summer and fall review initiatives in a memorandum to the agency heads (M-96-22), the objectives of which are "... to continue to integrate GPRA requirements into existing program management and budget processes" (OMB, April 11,1996). The purpose of the summer and fall reviews were described as to "...assure that agencies are developing plans that meet GPRA requirements,..."for the former, and as follows for the latter (OMB, April 11,1996):

The second major initiative is intended to produce consensus between OMB and the agencies on the performance goals and indicators that agencies would include in their FY 1999 annual performance plans. This initiative will be integrated with OMB's Fall Review of the agency FY 1998 budget requests. Agreement on goals and indicators will help ensure that: (1) the performance plans contain useful and relevant performance information; and (2), agencies can better direct their measurement of current performance to generate the baseline data from which future target levels would be set.

The schedule for the Fall Review and related activities was described in a subsequent memorandum (OMB, 1996, M-96-22, Supplement 2) as:

The Fall Review of the proposed performance goals and indicators will be conducted as a part of the hearings and discussions with the agency on its FY 1998 budget request. These hearings and meetings generally occur between September and November. By December, 1996, consensus should be reached either on the performance goals to be included in the FY 1999 plan, or on the schedule for further work to be done to define these goals early in CY 1997.

## **Defense Implementation of GPRA**

### Planning, Programming and Budgeting

The Department of Defense not only conducts budget development in the context of OMB guidance, but also in the context of its own budget development and resource allocation decision making processes. The basis for these processes is the Department's Planning, Programming and Budgeting System (PPBS). Introduced in 1961 by Secretary McNamara, "The purpose of the PPBS is to produce a plan, a program, and finally, a budget for the Department of Defense" (DOD, 1984; 1). Impressed by the discipline and analysis of the PPBS, President Johnson mandated its use in all agencies in 1965. The Nixon administration, however, reversed that decision, probably because "PPBS-prepared budgets did not fit either Congress's structure or the way it made budgetary policy" (Kettl, 1992; 77-78), particularly in the case of the civil agencies. The PPBS remains the

Department's formal process for planning and budget development, and has been described as a constantly evolving system (GAO, 1983; 13).

Some of the groundwork for implementation of GPRA came in response to passage of the Chief Financial Officers (CFO) Act; in a memorandum on performance budgeting, the acting Comptroller of DOD (Comptroller, 1992; 1) stated:

In response to congressional and OMB mandates, and in keeping with our efforts to improve management practices, I am undertaking an initiative to explicitly include effectiveness performance goals as well as unit cost per output goals in operating budgets. Effectiveness performance goals are objective indicators that describe the quality, timeliness, and customer satisfaction with the output of a given activity. These goals will be used to support budget justification and presentation, and serve as performance measures for the external financial statements required under the Chief Financial Officers Act.

There is some evidence that measures have been developed. The FY 1995 Department of Army Annual Financial Report, for example, contains 46 non-financial measures. The Highlights of the Department of the Navy FY 1998/FY 1999 Biennial Budget contains a number of performance measures, and an appendix lists the measures under the headings of the 5 DOD corporate goals. DOD staff expect PPBS to evolve further to incorporate GPRA as it is implemented in the Department (Hamre, 1994; 15). Explicit objectives for DOD implementation were outlined in a 1995 memorandum (OUSD(C), 1995b):

General guidelines for DOD implementation include that the plans reflect the most important aspects of Defense; have DOD consensus; are integrated with the DOD Planning, Programming, and Budgeting System (PPBS), and are supported by the functional managers who will be responsible for achieving the goals.

### Implementation Activities

The Department of Defense has been implementing the GPRA on two levels: on one level, in sponsoring performance measurement pilot activities under section 1118; on a second, developing and securing internal consensus on DOD-wide corporate goals. The first DOD GPRA performance pilot designated (in January, 1994) was the Defense Logistics Agency (OMB, 1994). Eventually, a total of seven DOD activities became GPRA pilots:

- Defense Logistics Agency
- Army Audit Agency
- Army Corps of Engineers, Civil Works
- Defense Commissary Agency
- Air Combat Command
- Navy Carrier Battle Group (CINCLANTFLT)
- Army Research Laboratory

The project to develop a set of DOD-wide corporate goals as part of GPRA implementation began in 1994. A departmental focal point for GPRA implementation was designated within the Office of the Under Secretary of Defense (Comptroller), Performance Measures and Results Directorate. This is the same organization that had developed performance measurement criteria for DOD to assist in the incorporation of indicators to the financial statements required by the Chief Financial Officer's (CFO) Act of 1990, P.L. 101-576. A white paper was prepared on corporate performance goals and measures and circulated among the DOD staff for comment in August, 1994, and requesting designation of prospective working group members. The white paper summarized goal areas and existing measures from a series of major departmental documents such as the National Security Strategy and the Defense Planning Guidance (Comptroller, 1994). In January of 1995, draft DOD mission and vision statements, and seven corporate goals were provided to the Joint Chiefs of Staff (JCS) and Under/Assistant Secretaries of Defense. The working group established the previous year was expanded to formed seven action teams (one for each draft goal). The group, consisting of JCS and OSD staff representatives, was to develop performance measures to be used in the future DOD GPRA performance plan (OUSD(C), 1995a).

Some of the OSD staff representatives to the working group were with organizations that had previously or concurrently developed functional strategic or performance plans. Two elements of the Office of the Undersecretary of Defense (Acquisition and Technology) provide examples. The Logistics Strategic Plan (DOD, 1996a), for example, approved by the Under Secretary of Defense for Acquisition and Technology in June, 1996, was the third logistics plan (plans had also been developed for 1994 and 1995). The logistics plan and wholesale supply system performance data for FY 1995 are both available from the web site for Materiel Management and Distribution, Office of the Deputy Undersecretary of Defense (Logistics) at <http://www.acq.osd.mil/log/mdm>. Similarly, the Acquisition Reform organization has defined its mission as consisting of 7 "musts," and has made a system for displaying key metrics at 3 levels available on its web site at <http://acq.osd.mil/ar>.

One of the major documents in the PPBS cycle is the Defense Planning Guidance (DPG), a classified set of assumptions and instructions developed by the Office of the Assistant Secretary of Defense (Strategy and Requirements) and approved by the Deputy



Secretary of Defense that the Components follow in preparing their Program Objectives Memorandum (POM) and budget. GPRA requirements were first addressed in a new unclassified Annex A to the DPG issued in May, 1995. The unclassified annex discussed the formation of the Comptroller-led working group, and that the next stage was the development of draft performance measures for use in the DOD GPRA performance plan. Other correspondence reflected similar content. The instructions to the Military Services for preparation of the Department's FY 1997-2001 Program Objectives Memorandum (POM) issued in February of 1995 included the following requirement (OSD(PA&E), 1995; 8): "Components should review the DOD corporate level goals and develop performance measures that relate to them. During the program review, components will provide a report to the Program Review Group that identifies these performance measures." This tasking was explained in an April memorandum to the Military Departments and Defense Agency Directors, and a draft of seven corporate goals along with a strawman set of measures were attached.

The working group was later expanded to include Military Department and Defense Agency representatives (USD(C), 1995b). The expanded working group issued its draft report in June, 1995. In August of 1995, the working group report was distributed with a policy statement in the transmittal memorandum that the report "...is to be used as the basis for GPRA budget submissions" (OUSD(C), 1995c), presumably for the FY 1997 budget. The budget exhibits in Appendix A for FY 1997, however, do not reflect the goals or measures.

The April, 1996, DPG also reflected increasing GPRA implementation guidance. This time, the instructions for the FY 1998-2003 POM also contained a GPRA annex, but it also reflected the DOD mission, vision, and the six corporate level goals refined from those developed the previous summer. In October, 1996, the combination of the previously published goals 5 and 6 was announced in a program decision memorandum signed by the Deputy Secretary of Defense. Corporate goals will appear in the DPG every year (Maroni, 1996; 23).

In addition, the National Military Strategy and Quadrennial Defense Review are intended to be used to satisfy the strategic planning requirements of the GPRA (Maroni, 1996; 25). The National Military Strategy (Joint Chiefs of Staff, 1995) was first published as an unclassified document in 1992. It sets forth the general military objectives of the United States. The Quadrennial Defense Review is described in section 923 (the subtitle is identified as the Military Force Structure Review Act of 1996) of the National Defense Authorization Act for FY 1997. The purpose of the review for 1997 is to determine and express "the defense strategy of the United States ..." ( US Congress, 1997).

The DOD thus seems to be positioned to comply with the planning provisions of the GPRA. Specific DOD mission, vision, and corporate level goals have been developed and a current published rendition appears below (Maroni, 1996; 25):

<b><i>DOD Mission, Vision, Goals</i></b>	
<b><u>DOD Mission Statement</u></b>	The mission of the Department of Defense is to support and defend the Constitution of the United States, to provide for the common defense of the United States, its citizens and its allies, and to protect and advance U.S. interests around the world.
<b><u>DOD Vision Statement</u></b>	<p>The Department of Defense:</p> <ul style="list-style-type: none"> <li>• Successfully defends the United States, its citizens, interests and allies.</li> <li>• Fields the best trained, best equipped, best prepared joint fighting force in the world.</li> <li>• Supports alliances/security relationships that protect/advance U.S. security interests.</li> <li>• Advances national priorities in concert with Congress, other agencies and the private sector.</li> <li>• Serves as a model of effective, efficient and innovative management and leadership.</li> </ul>
<b><u>DOD Corporate-Level Goals</u></b>	<ol style="list-style-type: none"> <li>1. Provide a flexible, ready, and sustainable military force capable of conducting joint operations to execute the National Military Strategy, including the capability to: <ul style="list-style-type: none"> <li>• Rapidly project power to deter and, if necessary, fight and win two nearly simultaneous major regional conflicts (MRCs) in concert with regional allies.</li> <li>• Support friends and allies and shape the international environment in ways favorable to U.S. interests through peacetime overseas presence.</li> <li>• Conduct a wide range of contingency operations, including peace operations, counter-drug and counter-terrorist activities, noncombatant evacuations, and disaster assistance.</li> <li>• Deter, prevent and defend against the effective use of nuclear, biological, and chemical weapons and their delivery means and prevent the acquisition of such weapons.</li> </ul> </li> <li>2. Recruit and retain well-qualified military and civilian personnel and provide them with equal opportunity and a high quality of life.</li> <li>3. Sustain and adapt security alliances, enhance coalition warfighting, and forge military relationships that protect and advance U.S. security interests.</li> <li>4. Maintain U.S. qualitative superiority in key warfighting capabilities (e.g., information warfare, logistics).</li> <li>5. Reduce costs and eliminate unnecessary expenditures, while maintaining required military capability across all DOD mission areas by employing all modern management tools and working closely and effectively with other government agencies, Congress, and the private sector.</li> </ol>

1996

## Implementation Issues for DOD

### 1. Measures

The first issue facing the Department concerns the selection and use of appropriate performance measures, for use in both strategic and performance planning. The development of appropriate measures is a daunting task, one described as taking years (USGAO, 1996; 23), being intrinsically difficult (Wholey, 1992; 605), and requiring a disciplined approach to research and development of needed measures (NAPA, 1994; 18). Defense programs have an added layer of complexity related to the nature of their products (Joyce, 1993; 12):

*National defense* is a particularly difficult area for which to develop measures of ultimate performance, perhaps because it is almost impossible to determine, without some military conflict, whether the objective of national defense is being achieved. Measurement is further complicated by the concept, as some would argue, that the purpose of defense is not winning wars but preventing them. For this reason, many measures of performance for national defense often focus on the quality and readiness of military forces, assuming that a well-qualified, appropriately trained military can best achieve whatever goals are paramount at the moment.

Measurement of military capability has largely followed the models established by Service systems for measuring operational readiness. Such models have been criticized for their indirectness and subjectivity (Collins, 1994; 6), and the need to better relate resource levels to readiness (Betts, 1995; 88 and OUSD(P&R), 1994; ii), although the pilot experiences of CINCLANTFLT successfully used those models as the basis for development of their "B" rating scheme .

OMB framed the issue of measures and their relation to what needed to be improved in the PPBS concisely for the department (OMB, 1996):

We believe that PPBS provides an excellent foundation for the full implementation of the Government Performance and Results Act. In anticipation of the formulation of the fiscal year 1998 President's budget, the Department is encouraged to develop effectiveness measures and conduct additional program evaluations of non-combat-related and support activities. In doing so, the Department should focus on the development of performance measures and strategic plans that are linked to resources.

The DOD GPRA Working Group Report (Comptroller, 1994) initially identified 68 measures or types of measures for use in budget submissions. Examples of some of

these suggested measures include: unit status; mission capable rates; percent of required strategic sealift capability achieved; percent career retentions; foreign military sales; infrastructure costs; and, logistics response time. As of July, 1996, the goal and measure structure proposed by the Directorate for Program Analysis and Evaluation (PA&E) consisted of the five goals described in the previous table, three quantitative measures for goal one, four quantitative measures for goal two, and qualitative criteria for goals three through five (OUSD(C), 1996; 3). More recent drafts of department goals have included quantitative measures for goals 3-5. More detailed performance information has been developed within the department. Budget background and supporting materials contain data on force structure measures, flying hours, training, etc. The justification books provided Congress, however, have not characteristically contained such explicit data.

The sheer number of operational measures required to manage an organization can be as daunting as the selection of appropriate aggregate measures. The FY 1996 GPRA Performance Report prepared for the Commander in Chief, U. S. Atlantic Fleet covering the George Washington Battle Group performance pilot cited the development and use of 280 performance indicators generated by 1,050 discrete daily data elements covering 7 of their 13 critical mission tasks. The challenge at the department level is selection of those measures at the proper level of aggregation, where explicit measures provide the bases for both meaningful operational decisions and justification of aggregate program expenses, that sufficient performance detail is provided to Congressional committees to satisfy their oversight responsibilities, and the combinations hopefully also pass a causal test of reason.

## 2. Performance Plan

The second issue concerns the format of the DOD GPRA performance report. GPRA performance planning pilot participants and their parent agencies took differing approaches to satisfying the requirement for a performance plan. Some published separate documents. Others included performance targets in their budget submissions. Still others prepared goal-based or performance budgets which integrated strategic goals and objectives, performance targets, performance against targets, and varying budget amounts associated with differing levels of performance (CFO Council, 1997; 3-2). The Department of Defense plans to establish a summary set of performance measures and apply them during the preparation of the Program Objectives Memoranda as well as during the budgeting process. As of this writing, it is unclear what form the "performance report" for DOD may take. It seems most likely that the performance plan/report may be part of the President's budget submission. However, process maps, instructions, and report formats have apparently not been developed nor made available to the Components to communicate the Department's approach. Potential vehicles for the establishment of requirements for the Components could include the DOD Financial Management Regulation, POM Preparation Instructions, the Defense Planning Guidance, Program Decision Memoranda, the Budget Estimate Submission Guidance, etc.

The DOD Financial Management Regulation (DOD, 1996b) is issued by the OUSD (Comptroller) under the authority of DOD Instruction 7000.14, "DOD Financial Management Policy and Procedures." Chapter 1 of Volume 2A provides basic guidance on budget estimates submission and Congressional presentation. The chapter is silent on the use of programmatic performance measures in the process. Chapter 3 of Volume 2A provides instructions on the preparation of input to the President's budget for the Operations and Maintenance appropriation. These instructions (DOD, 1996b; 3-19) require the submission of performance criteria on an input format designated as OP-5 (Part 2). A great deal of programmatic information can appear in this input and its supporting exhibits. However, a number of performance-related exhibits are specifically excluded from the Justification books provided to Congress (DOD, 1996b; 3-9).

The theory in use within the department is its PPBS. Quantitative performance measures have been consistently applied in decision making, even though many of those measures have been input measures (force structure types of measures such as number of ships or budget measures such as how much is budgeted for weapons systems procurement). Decisions on resource allocation, at least partially based on performance or departmental goals, have been made in recent years during the Defense Management Review Decision and Program Budget Decision processes. In many cases, however, these decisions have been made at a second tier in the process and the performance basis for the decision was not explicit. The department may need to examine its current process guidance for inclusion of the language and templates necessary to make the performance basis for decisions more explicit. Specifically, the instructions in the Financial Management Regulation should be updated so that the budget products clearly reflect performance data aligned with budget account data.

### 3. Program Structure

The third issue facing the Department is the need or desirability of changes to the accounting structure and/or processes used in the PPBS and budget estimate submissions to OMB. The term "program activity" is defined in the GPRA as (GPRA, 1993) : "... a particular activity or project as listed in the program and financing schedules of the annual budget of the United States Government;...." OMB guidance specifically links those schedules with the GPRA-required performance plans (OMB, 1994; 2). Flexibility is given to the agencies in the design of this account structure (OMB, 1996d; 3):

Agencies wishing to change their account structure, or modify program activity listings in their program and financing schedules to better align these with programs and thematic performance goals are encouraged to propose this as part of Fall Review. Agencies may also propose to shift financing for the resources needed to achieve program goals to these program accounts and bring about a better connection of resources to results. Proposing agencies should also describe

their plans and schedules for any consultation with appropriate Congressional committees regarding these changes.

The decision to change an agency account structure would be based in part on the enhanced decision-making potential represented by achievement of the alignment of accounts, goals, and dollar amounts as envisioned in a performance budgeting system. This particular type of rational account structuring implies an iterative process between the structural decisions inherent in the structure of accounts and the associated goals and measures, with some of the implications for impact on agency operations described below (Kravchuk, 1996; 350):

Meaningful measurement requires a rational program structure. Designers of the measurement system should take account of the crucial relationship between program structure and meaningful measurement. Multiprogram/ multigoal systems especially should be subjected to review, with the intent to disentangle diverse programs where no compelling argument can be offered for their continued aggregation. Development of measures thus provides an appropriate opportunity to recognize and resolve structural inconsistencies that would render measurement (and program management, generally) more difficult. Extensive reorganization of programs (and agencies) is not out of the question. In this connection, development of the measurement system can be viewed as part of a larger process of program restructuring and improvement.

An account structure implies an accounting system utilizing that structure so that costs can be determined, at some detail, for each product or service of the organization. Government accounting systems have not historically been viewed as providing useful data. That perception was one of the drivers of passage of the CFO Act, which established the requirement for agencies to produce financial statements similar to those used in the private sector. One commentator noted that (Kehoe, 1995):

Right now, few government organizations have accurate cost information. They know and Congress knows what these organizations *spend*, because that information is in their budgets. However, it is very difficult to determine what a government-produced product or service actually *costs*, because federal accounting systems are not set up to provide accurate cost data.

Current systems, however, are tenacious. Changing such systems is difficult and usually expensive.

#### 4. Five Year Defense Program (FYDP) Accounts

Associated with the issue of program structure, yet a distinct fourth issue, is the question of changes to the Five Year Defense Program (FYDP) accounts. The FYDP structure is used by the Department to facilitate program review. The second chapter of the 3.5 inch high manual for this code structure describes its purpose (DOD, 1996; 3):

In its first dimension, the FYDP is composed of 11 major defense programs (6 combat force-oriented programs and 5 support programs) used as a basis for internal DOD program review, and in its second dimension by the input-oriented appropriation structure used by the Congress in reviewing budget requests and enacting appropriations. Hence, it serves a purpose of cross-walking the internal review structure which is output-oriented with the congressional review structure which is input-oriented.

The FYDP account structure is composed of program elements which portray “a force mission or a support mission of the Department of Defense and contains the resources needed to achieve an objective or plan” (DOD, 1996; 6). These missions, however, and the codes themselves, are generally based on organizational entities rather than on processes or activities. For example, the program element code 0101127F represents B1B Squadrons in the Air Force, categorized as offensive forces under program 1, Strategic Forces. An example from program 2, General Purpose Forces, under unified commands would be program element code 02011120, Atlantic Command (LANTCOM) Activities. Other elements have non-organizational or functional bases, and some program expenses are tracked through this structure. Program element 0602707E, for example, under Research and Development, is titled Particle Beam Technology.

Within the Department, the structure is maintained by the Program Budget Division of the USD Comptroller. The stakeholders for the structure include the Office of the Director, Program Analysis and Evaluation (responsible for evaluation of defense programs), and all of the functional budget proponents (the Services/Agencies and the OSD Principal Staff Assistants).

Two types of changes to the FYDP structure can be considered. The first would be driven by other analytical frameworks used within the Department. The second would be driven by recommendations for change from various sources, including the GAO. The primary example of the first comes from the activities and assessment methodologies of the Joint Chiefs of Staff, developed through implementation of the changes introduced under the Goldwater-Nichols DOD Reorganization Act of 1986 and subsequent evolution of the functions of the Joint Requirements Oversight Council (headed by the Vice Chairman of the Joint Chiefs of Staff). One of the functions of the Council is to oversee

the Joint Warfighting Capabilities Assessments (JWCA) process. This process and the inputs from the warfighting Commander-in-Chiefs (or CINCs) provide the bases for the Chairman's Program Assessment and Recommendations, two documents which impact the Defense Planning Guidance. The structure used in the JWCA process is interesting as another definition of the Department's major business processes: "The Joint Warfighting Capabilities Assessments (JWCA's) are a series of mission area assessments which investigate the capabilities of the armed forces in 10 mission areas." ( Keller, 1996; III.5-2). The table below arrays the 11 major defense program titles used in the Future Year Defense Program alongside the 10 mission areas used in the JWCA for ease of comparison.

<b>Future Year Defense Program</b>	<b>Joint Warfighting Capability Assessment</b>
Strategic Forces	Strike
General Purpose Forces	Land and Littoral Warfare
Command, Control, Communications, Intelligence and Space	Strategic Mobility and Sustainability
Mobility Forces	Sea, Air, and Space Superiority
Guard and Reserve Forces	Deter/Counter Proliferation of Weapons of Mass Destruction
Research and Development	Command and Control
Central Supply and Maintenance	Information Warfare
Training, Medical, and Other General Personnel Activities	Intelligence, Surveillance, and Reconnaissance
Administration and Associated Activities	Regional Engagement/Presence
Support of Other Nations	Joint Readiness
Special Operations Forces	-----

An examination of the above table show some clear similarities in major categories. Mobility Forces in the FYDP structure relate to Strategic Mobility under the JWCA, for instance. The differences are perhaps more noteworthy; e.g., the JWCA has a separate mission area for Information Warfare. A comparison of the structures would be an important necessary research project to identify any rationalizing changes to the FYDP based on the JWCA structure.

Examples of the second type of potential changes to the FYDP accounting structure include external recommendations on changes to capture more effectively the Department's infrastructure in general, and investments in information technology in specific. The General Accounting Office's followon review of DOD's fiscal year 1996 FYDP observed that only some of the DOD direct infrastructure could currently be identified (United States General Accounting Office, 1996; 3):



According to DOD officials within the Office of Program Analysis and Evaluation (PA&E), DOD's efforts to identify and track infrastructure funding have been underway for several years. PA&E officials told us DOD has a better understanding of the elements that fund DOD infrastructure activities than it had at the time of the bottom up review. Using the FYDP, DOD has clearly identified program elements that fund infrastructure activities and refer to these as "direct infrastructure." However, there are parts of the total infrastructure funding that cannot be clearly identified in the FYDP. According to PA&E officials, this is about 20 to 25 percent of DOD's total infrastructure funding and mostly represents logistics purchases which cannot be specifically identified.

A similar recommendation to expand the code structure has surfaced concerning information technology (National Academy of Public Administration, 1996; 23):

The increasingly ubiquitous nature of information management has also made expenditures in IM difficult to integrate into the PPBS cycle. In addition, program element codes, a basic DOD financial accounting building block, are not assigned specifically to information management elements of the budget. This reduces the accuracy and credibility of the programs themselves and the information management costs associated with major Defense programs.

The greater potential for the extended use of the FYDP account structure may be as a vehicle for aligning program expenses with program performance.

## 5. Consultations with the Congress

The process for consultation with Congress is the fifth open issue for DOD because that process is still being defined. The Department routinely provides information to the Congress; for example, a Biennial Budget Justification Book for the FY 1998/1999 President's Budget will provide budget estimate justification materials to a number of congressional committees. However, the level of interest among Congressional members and staffs has increased since passage of the Act in 1993. Congress may well take an active role in deciding what the consultation process will be. Senator Stevens sent a memorandum that described the role of Congressional committees in the effective implementation of GPRA as crucial (U.S. Senate, 1996). A Washington Post article noted that (Barr, 1997a; A25):

Next week, house Majority Leader Richard K. Armey (R-Tex) is scheduled to testify before the House Government Reform and Oversight Committee to signal that he and House Speaker Newt Gingrich (R-Ga) expect House committees to promote the law, known as GPRA in the government's shorthand. Army,

House Appropriations Committee Chairman Bob Livingston (R-La.), House Budget Chairman John R. Kasich (R-Ohio), and Government Reform Chairman Dan Burton (R-Ind.) will help coordinate the House's activities, an Armeý spokeswoman said.

In his testimony, Mr. Armeý made it clear that he expected that consultation would occur (Armeý, 1997; 3-4): "Starting now, and moving through August, committees should be working with their executive branch departments to clarify what we want from programs, how that will be accomplished and how we expect to measure progress."

Congressional pressure for meaningful consultation is intensifying. A letter sent to OMB signed by the House and Senate leadership is an example of actions being taken to assure the Congress that "they have a voice in the drafting of the strategic plans" (Barr, 1997b; A19) required by September, 1997. The department has articulated its belief that the National Defense Panel will provide a vehicle for consultation as a part of the QDR process. The new Secretary of Defense, Mr. William S. Cohen, committed to meetings with several committees in his confirmation testimony.

## **Conclusions**

Although the DOD has strong planning and budgeting processes in place, and has already adapted those processes to some extent to incorporate the tenets of GPRA (OMB, 1996), significant implementation issues remain. Five such issues are covered in this paper. The first is the selection of appropriate measures. The second is the process for performance planning and reporting, including the crafting of guidance on that process. The third is the desirability of changes to the program or accounting structure. The fourth is the utility of increasing use of the Five Year Defense Program account structure to align performance with expenditures. The fifth is the definition of the process for consulting with the Congress. Some of these discussions identified additional potential research.

Two structural themes, I believe, will drive the continued implementation of the Results Act in the DOD:

- (1) Requirements for external presentation of performance data will force some internal changes to the PPBS in the near term.
- (2) The intermediate and long term challenge will be to develop ways to align budget and accounting information with the related program performance data.

One of the specific purposes of the GPRA is to "... improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction." (GPRA, 1993; 2(b)(3)). The magnitude of the potential for change through application of a results-based management model is hinted in the GAO executive guide (GAO, 1996; 18):

Leading organizations recognize that sound planning is not enough to ensure their success. An organization's activities, core processes, and resources must be aligned to support its mission and help it achieve its goals. Such organizations start by assessing the extent to which their programs and activities contribute to meeting their mission and desired outcomes. As the organizations became more results-oriented, they often found it necessary to fundamentally alter activities and programs so that they more effectively and efficiently produced the services to meet customers' needs and stakeholders' interests.

And as one commentator has observed: "It is one thing to develop performance measures. It is another, much more significant action to actually use performance measures to make decisions" (Newcomer, 1995; 10). It will be interesting to see whether future researchers can find that we passed this "use" test after GPRA implementation.

### *Acknowledgments*

The author wishes to thank Ms. Karen Cleary Alderman, Mr. Peter Poulos, and Mr. David Hoen of the Directorate of Performance Measures and Results within the Office of the Undersecretary of Defense (Comptroller), Department of Defense, and other anonymous reviewers, for their assistance in the development of this paper. The views represented here are those of the author and not those of the Department of Defense.

## References

- Armey, Richard K., 1997. "Testimony on Government Performance and Results Act." Testimony before the House Government Reform and Oversight Committee, U. S. House of Representatives (February 12).
- Barr, Stephen, 1997a. "GOP Seeking More Control of Programs and Spending - 1993 Law Allows Congress Greater Oversight of Agencies." WASHINGTON POST (February 5).
- Barr, Stephen, 1997b. "Congress Seeks Seat at the Table - Hill Asks White House for Key Role in 'Results' Plan." WASHINGTON POST (March 7).
- Betts, Richard K., 1995. *Military Readiness*. Washington, DC: The Brookings Institution.
- Burkhead, Jesse, 1956. *Government Budgeting*. New York: John Wiley.
- Chief Financial Officer's Council, 1997. *Integrating Performance Measurement into the Budget Process*. GPRA Implementation Committee, Subcommittee Project. Washington, DC (January 21).
- Collins, John M., 1994. "Military Preparedness: Principles Compared With U.S. Practices." Congressional Research Service Report for Congress, The Library of Congress, Washington, DC (January 21).
- Comptroller of the Department of Defense, 1992. *Performance Budgeting*. Washington, DC (October 29).
- Comptroller of the Department of Defense, 1994. *DOD Corporate Level Performance Goals and Measures Under the Government Performance and Results Act (GPRA) - ACTION MEMORANDUM*. Washington, DC (August 29).
- Department of Defense, 1984. *Department of Defense Directive No. 7045.14, The Planning, Programming, and Budgeting System (PPBS)*. Washington, DC (May 22).
- Department of Defense, 1996a. *Department of Defense Logistics Strategic Plan, Edition 1996/1997*. Washington, DC (June 22).
- Department of Defense, 1996b. *Financial Management Regulation*. Washington, DC (July 9).
- Executive Office of the President, National Performance Review, 1993. *Mission-Driven, Results-Oriented Budgeting*. Washington, DC: Government Printing Office.

Hamre, John J., 1994. "The Future of Financial Management: Focus on Performance." *Armed Forces Comptroller*. Washington, DC (Winter).

Joint Chiefs of Staff, 1995. *National Military Strategy of the United States of America 1995: A Strategy of Flexible and Selective Engagement*. Washington, DC.

Keller, William C., 1996. *The Defense Resource Allocation Process*. Naval War College, Newport, RI (July).

Kettl, Donald F., 1992. *Deficit Politics: Public Budgeting in Its Institutional and Historical Context*. New York: Macmillan Publishing Co.

Key, V. O., Jr, 1940. "The Lack of a Budgetary Theory," *American Political Science Review*, 34 (December).

Maroni, Alice C., 1996. "DOD Implementation of the Government Performance and Results Act," *Armed Forces Comptroller*, Vol. 4, No. 4, (Fall).

National Academy of Public Administration, 1994. *Toward Useful Performance Measurement: Lessons Learned From Initial Pilot Performance Plans Prepared Under the Government Performance and Results Act*. Washington, DC (November).

Newcomer, Kathryn E., 1995. "Performance Measurement in the Federal Budgetary Process: Will It Stick This Time?" Paper presented at ASPA 56th Annual National Conference, American Society for Public Administration, Washington, DC (July).

Office of Management and Budget, 1994a. *Designation of the Defense Logistics Agency as a pilot project*. Washington, DC (January 31).

Office of Management and Budget, 1994b. *M-94-15, Submission of Performance Plans for Pilot Projects under P.L. 103-62, the Government Performance and Results Act of 1993 (GPRA)*. Washington, DC (March 3).

Office of Management and Budget, 1996a. *Letter from Alice Rivlin to Dr. John P. White*. Washington, DC (February 7).

Office of Management and Budget, 1996b. *M-96-22, Implementation of the Government Performance and Results Act of 1993*. Washington, DC (April 11).

Office of Management and Budget, 1996c. *OMB Circular No. A-11: Preparation and Submission of Budget Estimates*. Washington, DC (June 13).

Office of Management and Budget, 1996d. *M-96-22, Supplement 2, Information on Performance Aspects for Fall Review*. Washington, DC (September 9).

Office of the Secretary of Defense, Program Analysis and Evaluation, 1995. *FY 1997-2001 POM Preparation Instructions*. Washington, DC (February 13).

Office of the Under Secretary of Defense, Comptroller, 1995a. *Department of Defense (DOD) Corporate Level Performance Goals and Measures Under the Government Performance and Results Act (GPRA) - ACTION MEMORANDUM*. Washington, DC (January 27).

Office of the Under Secretary of Defense, Comptroller, 1995b. *Department of Defense (DOD) Corporate Level Performance Goals and Measures Under the Government Performance and Results Act (GPRA) - ACTION MEMORANDUM*. Washington, DC (April 24).

Office of the Under Secretary of Defense, Comptroller, 1995c. *FY 1997 Defense Budget Review - Government Performance and Results Act (GPRA)*. Washington, DC (August 29).

Office of the Under Secretary of Defense, Comptroller, 1996. *Minutes of the July 22, 1996 Government Performance and Results Act (GPRA) Points-of-Contact (POC) Meeting*. Washington, DC (August 9).

Patton, Michael Quinn, 1990. *Qualitative Evaluation and Research Methods, Second Edition*. Newbury Park, CA.

Schick, Allen, 1995. *The Federal Budget: Politics, Policy, Process*. Washington, DC: The Brookings Institution.

United States Congress, 1993. *Government Performance and Results Act of 1993*. Public Law 103-62 (August 3). 107 STAT. 285.

United States Congress, 1993. *House of Representatives Report 103-106, Part I, Government Performance and Results Act of 1993*. Washington, DC (May 25).

United States Congress, 1996. *National Defense Authorization Act for 1997*. Public Law 104-201 (September 23). 110 STAT. 2623.

United States General Accounting Office, 1983. *The Department of Defense's Planning Programming and Budgeting System: The Joint DOD/GAO Working Group on PPBS, GAO/OACG084-5*. Washington, DC (September).

United States Senate, 1993. *Report of the Committee on Governmental Affairs, United States Senate to Accompany S. 20*. Washington, DC (June 16).